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United States Senate

COMMITTEE ON SMALL BUSINESS & ENTREPRENEURSHIP
WASHINGTON, DC 20510-6350

January 12, 2004

VIA FACSIMILE & FIRST-CLASS MAIL

The Honorable Hector V. Barreto
Administrator
Small Business Administration
409 Third Street, S.W.
Washington, D.C. 20416

Re: Continued Shut Down of the SBA's Largest Small-Business Lending Program

Dear Administrator Barreto:

Thank you for your reply to my letter of January 7, 2004, regarding the Agency's abrupt shut down of its largest small business lending program. However, because the Agency replied to only part of one of the five questions posed, additional responses are needed for us to be able to work together to craft a prompt solution to this serious problem.

Further, it is unacceptable for the Administration to continue to exclude from the Agency's 7(a) data the 7(a) loans made to 9/11 victims when responding to our Committee's requests for 7(a) loan program information. *Any* loan made under Section 7(a) of the Small Business Act is a 7(a) loan, as my request specifically noted.

Now is the time for finding solutions, not for excuses. The Continuing Resolution is not what caused the funding problem, and you could have exercised your authority to reprogram money instead of abruptly shutting down small business lending. If there were no Continuing Resolution and the Small Business Administration's funding for FY2004 had been provided at the exact level requested by the President's FY2004 Budget, the current pace of demand, or even last year's demand, would have depleted the FY2004 funding in June or required the imposition of a loan cap to stretch the dollars. As it currently stands, the FY2004 Conference Report Appropriations Act includes more money than the President requested. To attempt to shift the blame for this immediate shut-down on the Congressional appropriators is inaccurate and unwise, at best.

Regardless of your testimony before this Committee over the years, including on June 4, 2003, that the President's requests would be sufficient, the Administration's funding requests have continually proven insufficient to meet the demand small businesses have for access to working capital. As you know, 7(a) small business loan dollars provide the hardest kind of capital to obtain, particularly long-term capital. That is why the 7(a) loan program is vital to small business owners in this country. On the date

Administrator Hector Barreto
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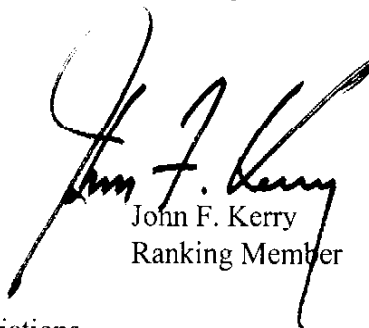
of the shut-down, small businesses were waiting for access to more than \$600 million in capital. Therefore, it is imperative that the Agency immediately provide the requested information so that a prompt resolution can be developed and implemented.

As requested in my letter of January 6, 2004, please provide the following information regarding *all* loans made under Section 7(a) of the Small Business Act, including the SBA Express pilot program loans and the Supplementary Terrorist Activity Relief program loans:

1. Broken down by business day, for the months of January and December 2003, and January 2, 5, and 6, 2004:
 - a. Total number and dollar amount of loans for applications submitted;
 - b. Total number and dollar amount of loans approved; and,
 - c. Total number and dollar amount of loans disbursed.
2. On which date any office with the Agency returned applications.
3. For FY2003, the average daily rate of 7(a) lending for loans approved.
4. For FY2003, the average daily rate of 7(a) lending for loans disbursed.

I look forward to receiving this information. Please have it delivered to my Committee office (Senate Russell Office Building, room 442) by 5pm, Tuesday, January 13, 2004.

Sincerely,



John F. Kerry
Ranking Member

cc: Senate Committee on Appropriations,
Subcommittee on Commerce, Justice, State and the Judiciary